

## **STONE AMERICAN DIVIDEND GROWTH FUND**

### **Interim Management Report of Fund Performance**

June 30, 2020



This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial reports or annual financial statements at your request, and at no cost, by calling 1 800 336 9528; by writing to us at Stone Asset Management Limited, 40 University Ave., Suite 901, Toronto, Ontario, M5J 1T1; or by visiting our website at [www.stoneco.com](http://www.stoneco.com); or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

# STONE AMERICAN DIVIDEND GROWTH FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

June 30, 2020

### INVESTMENT OBJECTIVES

The investment objective of the Stone American Dividend Growth Fund (the "Fund") is to provide investors with long term capital appreciation, by investing primarily in a portfolio of large cap, dividend paying equity securities listed on a U.S. stock exchange.

### INVESTMENT STRATEGIES

In order to achieve the Fund's objective, investments will be made in a portfolio of securities whose returns, over time, are expected to exceed the Morningstar® US Large Cap Index on a total return basis, primarily in large cap equity securities listed on a U.S. stock exchange selected based on a bottom-up, fundamental approach for selection of issuers with durable growth prospects. Investments will be made in companies when their current market price represents value relative to their long-term potential, and so long as it continues to offer attractive return potential.

The Fund may, from time to time, hold part of its assets in cash reserves or short-term fixed income investments as a result of a lack of attractive investment opportunities or to facilitate cash flows.

### RISK

The overall long-term risk of the Fund is as described in the most recent simplified prospectus. No material changes occurred that would significantly increase the risk associated with an investment in the Fund during the period.

### RESULTS OF OPERATIONS

#### Market Overview and Impact on the Fund

The 2020 year-to-date has experienced some of the most volatile periods in the history of the stock market. We really must break down this period into two halves to analyse how the markets behaved thus far in 2020. The 1st quarter suffered massive losses on the fear of the potential economic impact of COVID-19 on companies and profitability.

This was then followed by the 2nd quarter which recovered dramatically on the hopes for the re-openings and resumption of economic activity as central banks and government authorities provided massive stimulus spending plans.

By the end of the 1st quarter, the markets received the full-fledged details of the potential economic and corporate toll from the COVID-19 pandemic and it was not pretty. The talk was no longer about whether we were going to enter a recession but how deep of a slowdown we would experience. With roughly four-fifths of the national population told to stay home, we witnessed a historic collapse in economic activity.

Airplanes were grounded, streets were empty, and factories shut. At least one-quarter of the US economy had suddenly gone idle amidst the coronavirus pandemic. This was an unprecedented shutdown of commerce that has never occurred on such a grand scale. Estimates for a GDP contraction of 25.0% for Q2 (after a 5.0% retrenchment in Q1 GDP) had markets on edge for the entire month of March.

The global store and business closures and lockdowns resulted in a wave of job losses. The main act came from the US employment figures which showed a staggering rise in the initial unemployment claims number of 6.65 million. Most people will agree that the data would get worse before it got better, so we were bracing for more negative economic news in subsequent months.

Forecasts were for an unemployment rate that would exceed 10.0%. This is a huge, extraordinary hit to the economy. The World markets was down 21.4% for the Q1 while the US markets down 19.6%, Dow Jones down 23.2% and the Canadian markets down 20.9%

The second half of 2020 was the total opposite story for the stock market. Even though the economic data was not impressive, the markets looked forward to a recovering economy and boost to corporate profits and resulted in one of the best quarters in decades. Hopes for a potential opening of economies, coupled with select corporate earnings that were not as bad as originally feared, were cause for investors to plow back into the markets.

The US markets was up a staggering 19.9% for the quarter giving it its best quarterly return since 1998. This market recovery comes only three months after investors were lamenting the end of the bull markets as equities had plunged 35.0% in less than 6 weeks. The subsequent rebound has been just as brisk.

The World markets gained 18.8% for the quarter. The Dow Jones was up 17.7% in Q2 and the Nasdaq led all markets with an astounding 30.6% in the quarter. The Canadian markets also kept pace with a 15.9% gain in Q2. This is a remarkable comeback as the nation went from a full shutdown to a gradual reopening.

As is the case most often, Canada's diverse sectors led to a mix of returns.

Combining the two quarters resulted in less first half dramatic numbers with the World markets down only 6.6%, the US markets down 4.0%, the Dow Jones down 9.6% and the Canadian markets down 9.1%. The Nasdaq was one of the strongest markets YTD with a gain of 12.1%.

The best performing sector on the Canadian markets YTD was the information technology sector with a 61.8% move YTD. Shopify, now the largest publicly traded company in Canada, has seen its shares skyrocket as the COVID lockdowns have forced businesses to use their software to create an online presence.

The materials sector was strong with a 14.5% gain YTD led by the gold sector rally of 34.2%. The virus outbreak and resulting money printing by central banks have pushed investors into safety haven assets such as gold. The yellow metal is up 17.0% for the year. The heavyweight financials sector suffered an 18.1% drop in 2020 thus having the most negative impact on the overall market.

# STONE AMERICAN DIVIDEND GROWTH FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

The other lagging sectors include the energy sector dropping 32.4% YTD as the price of oil collapsed due to demand destruction from COVID and the price war between the Saudi's and Russia. At one point in the year, oil prices collapsed to negative \$40/barrel. Real estate dropped 22.1% for 2020 and healthcare was down 22.1%.

Investors did flock into the stability of food companies and grocery stores lifting the consumer staples sector 0.6% YTD while the attractive dividend yields of the utilities sector limited the losses for this sector to 3.7%.

With over 40.0% of US companies pulling their forward guidance for earnings outlooks, the market really is walking a dangerous tightrope. Just a reminder of the multiple steps in our wall of worry – US-China tensions, poor economic data, COVID, civil unrest, US elections, and lack of clarity on corporate outlooks.

The economic picture continues to be bleak with 20 million people losing their jobs in the US and retail sales suffering a deafening blow compared to levels before the pandemic levels. Even though there was an uptick in the job creation figure in the past month, the risk is that the recovery will get cut short with the number of new COVID cases on the rise.

The number of companies that have filed for bankruptcy protection is staggering and across multi industries – Hertz Car Rental, JC Penney, Chesapeake Energy, Whiting Petroleum, 24-Hour Fitness, J-Crew, and Neiman Marcus just to name a few.

The markets may be close to all time highs, but the market internals are painting a different picture. While the US markets is above its 200-day moving average, we have mentioned before that it is just a handful of stocks which is driving the markets higher. In fact, only 27.0% of US companies are above their 200-day moving average reflecting a very select market.

This two-tier market would have to expand to the lagging equities (value, cyclical) for the market to be more convincing.

All the nervousness in the economy and markets resulted in the collapse in bond yields around the world as threats to the global economy forced investors into the safety of fixed income. The yield on the benchmark US 10-year Treasury dropped an incredible 125bp YTD to 0.64% bringing it to the lowest level in many years.

Canadian 10-year bond yields also dropped 115bp to 0.51%. The doves have all come out on the global stage to foster inflation and GDP growth in their respective regions. Bonds have been feasting on the threatening slowdown in global economic activity and equity markets' volatility. Most global central banks have become more accommodative as witnessed by the US Federal Reserve dropping rates all year and the European Central Bank commenting on rates staying steady and the Bank of Australia move in lowering rates two consecutive occasions by 25bp each time.

These markets wish for low rates and their wishes have been granted.

### COVID-19 impact:

To preserve our clients' capital, our Stone cash levels have increased by about 5-10.0% in our SAM-managed mutual funds. Cash balances now range from 10.0% to 15.0% within the funds. Within our pure total return and income mandates, companies that are either highly leveraged or at risk of cutting their dividends have been sold.

Within our growth mandates, we eliminated companies that will have a hard time growing in this challenged environment. All the portfolios have been structured as more defensive compared to their benchmark. We believe the best way to invest in markets as these is to have a total return focus. Investors should be rewarded by buying companies with a strong growth profile and growing dividend stream.

Under an economic contraction scenario, companies which can sustain their dividends are attractive investments. All the public equity holdings are liquid positions and can be sold within a day.

We remain invested and are committed to companies that provide revenue growth, improving free cash flow and higher earnings per share. We are active portfolio managers with a disciplined investment process including the implementation of various risk management tools to benefit our investors.

The Fund was underweighted in interest-sensitive sectors such as Telecommunications Services and Real Estate. We were 5.7% below the benchmark weight in Telecommunications and a zero weight in Real Estate vs. the index of 3.0%. The strength in US Telecommunications sector, aided by large-weighted, non-dividend paying Alphabet which performed very well given the broad market environment and was not held by the Fund.

Weakness in the Real Estate sectors was avoided and turned out to be a slight positive for the fund.

The Fund's Utilities exposure was slightly above benchmark but was a negative contributor to performance due to the Fund's position in AES Corp., which tumbled 24.4% during the period relative to the overall sector falling only 14.5%. The Fund's materials sector weight was increased to 9.4% from 2.2% at the end of last year.

The increase in weight was due to the addition of three gold producers, which turned out to be positive contributors to performance as the largest holding, Wheaton Precious Metals Corp. increased 25.0% in the period.

The Fund's weight above the benchmark in the Financials sector was slightly negative to performance due to the higher relative weight combined with the Fund's holdings in the sector performing in line with benchmark holdings. Our slight underweight position in the Technology sector also detracted from performance as the Fund's holdings averaged 11.0% return over the period versus the sector benchmark increasing 13.5%.

The Fund's underweight position the Consumer Cyclical sector, 8.2% vs. the benchmark 9.4%, was compensated for by higher returns in the Fund holdings but were nonetheless a detractor to performance.

# STONE AMERICAN DIVIDEND GROWTH FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

### Performance

The Fund's Series underperformed its benchmark during the period. As mentioned above, both sector allocation and stock selection were the reasons for our underperformance vs. the benchmark. Our disciplined approach toward total return remains a core practice in managing the portfolio risk and this approach is paying off.

The comparison to this broad-based index is provided to enable you to compare the Fund's performance relative to that of the general market. A comparison to the Fund's benchmark, which is the Morningstar US Large Cap Index, provides a comparison to a benchmark that is more reflective of the Fund's investment objective and strategy.

The benchmark returned 4.3% over the same period.

As a result the Fund's Series generated the following returns for the period.

| Series |       |     |      |      |
|--------|-------|-----|------|------|
| A      | F     | O*  | T5A* | T5F* |
| -5.5%  | -4.9% | n/a | n/a  | n/a  |

\*Returns are not disclosed for series of the Fund that have been in existence for less than one year.

Any differences in performance returns between Series are primarily due to different management and operating fees that are applicable to a particular Series. Please refer to "Past Performance" for details regarding the performance of the Fund's Series. The calculation of the Fund's Series performance takes into consideration all fees and expenses of the Fund, which are not applicable in the calculation of the benchmark's performance.

### Change in Net asset value

Net Assets of the Fund decreased by 24.6% or \$1.7 million during the period, from \$6.9 million at December 31, 2019 to \$5.2 million at June 30, 2020. This change in Net Assets is attributed to net sales (redemptions) of (\$1.3) million and (\$0.4) million to investment operations, including market appreciation (depreciation), income and expenses.

### RECENT DEVELOPMENTS

Please see "Results of Operations" for market-related developments. There are no known changes at this time to the manager, portfolio manager or the composition of the Independent Review Committee.

### Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB").

### RELATED PARTY TRANSACTIONS

Stone Asset Management Limited ("SAM") is the manager and portfolio manager of the Fund. SAM is a wholly owned subsidiary of Stone Investment Group Limited.

### Fund Manager

As Fund Manager, SAM is responsible for managing the Fund's overall business and day-to-day operational services, as described under the headings "Management Fees" and "Operating Fees".

### Portfolio Manager

As Portfolio Manager, SAM is responsible for providing portfolio management services to the Fund.

### Management fees

The Fund pays a management fee, calculated daily and paid monthly, based on the following schedule:

| Series         | A    | F    | O | T5A  | T5F  |
|----------------|------|------|---|------|------|
| Annual Fee (%) | 2.00 | 0.95 | - | 2.00 | 0.95 |

The following table lists the major services received by the Fund, as a percentage of the Management Fee:

| Series                             | A   | F   | O | T5A | T5F |
|------------------------------------|-----|-----|---|-----|-----|
| Dealer Compensation (%)            | 50  | -   | - | 50  | -   |
| Investment and Fund Management (%) | 50  | 100 | - | 50  | 100 |
| Total (%)                          | 100 | 100 | - | 100 | 100 |

### Operating fees

The Fund pays operating fees (the "Operating Fees") to SAM for the day-to-day operational services. The Operating Fees include, but are not limited to: legal and audit fees, transfer agency costs, custodian costs, filing fees, administrative and overhead costs charged by SAM, and the Independent Review Committee of the Fund.

Operating fees incurred by the Fund are allocated among the Series on a reasonable basis as determined by SAM.

At its sole discretion, the manager may waive management fees or absorb expenses of the Fund. The management expense ratios of each of the series of units of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table.

### Independent Review Committee

SAM has established the Independent Review Committee (the "IRC") for the Fund in accordance with the requirements of National Instrument 81-107 – Independent Review Committee for Investment Funds in order to review conflicts of interest as they relate to investment fund management.

The compensation and other reasonable expenses of the IRC are paid pro rata out of the assets of the Fund for which the independent review committee acts. The main component of compensation is an annual retainer. The Chair of the IRC is entitled to an additional fee.

# STONE AMERICAN DIVIDEND GROWTH FUND

## FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

### THE FUND'S NET ASSETS PER SECURITY<sup>1</sup>

| Series      | As at    | Net assets,<br>beginning of<br>period <sup>2</sup> | Increase (decrease) from operations <sup>2</sup> (All figures in \$) |   |   |   |   | Distributions <sup>2,3</sup>                                 |           |                  |                      | Net assets,<br>end of period |                                     |
|-------------|----------|--|--|---|---|---|---|--|-----------|------------------|----------------------|------------------------------|-------------------------------------|
|             |          |  | Total<br>revenue   | Total<br>expenses<br>(excluding<br>distributions) | Realized<br>gains (losses)<br>for the<br>period | Unrealized<br>gains (losses)<br>for the<br>period | Total increase<br>(decrease)<br>from<br>operations <sup>2</sup> | From net<br>investment<br>income<br>(excluding<br>dividends) | Dividends | Capital<br>gains | Return of<br>capital |                              | Total<br>distributions <sup>3</sup> |
|             | Jun 2020 | <b>8.84</b>  | 0.15   | (0.23)  | 0.26  | (0.69)  | <b>(0.51)</b>   | -  | -         | -                | -                    | -                            | <b>8.36</b>                         |
|             | Dec 2019 | <b>8.70</b>  | 0.32   | (0.36)  | 0.52  | 0.27  | <b>0.75</b>   | -  | -         | (0.28)           | (0.53)               | <b>(0.81)</b>                | <b>8.84</b>                         |
|             | Dec 2018 | <b>10.37</b>                                       | 0.30   | (0.43)  | 0.46  | (0.92)  | <b>(0.59)</b>   | -  | -         | (0.15)           | (0.74)               | <b>(0.89)</b>                | <b>8.70</b>                         |
|             | Dec 2017 | <b>10.84</b>                                       | 0.28   | (0.32)  | 0.16  | 0.30  | <b>0.42</b>   | -  | -         | -                | (0.90)               | <b>(0.90)</b>                | <b>10.37</b>                        |
|             | Dec 2016 | <b>11.05</b>                                       | 0.26   | (0.34)  | 0.20  | 1.40  | <b>1.52</b>   | -  | -         | (0.22)           | (0.68)               | <b>(0.90)</b>                | <b>10.84</b>                        |
| <b>A</b>    | Dec 2015 | <b>10.60</b>                                       | 0.31   | (0.34)  | 0.17  | 0.88  | <b>1.02</b>   | -  | -         | (0.03)           | (0.63)               | <b>(0.66)</b>                | <b>11.05</b>                        |
|             | Jun 2020 | <b>9.34</b>  | 0.16   | (0.19)  | 0.26  | (0.81)  | <b>(0.58)</b>   | -  | -         | -                | -                    | -                            | <b>8.88</b>                         |
|             | Dec 2019 | <b>9.23</b>  | 0.33   | (0.28)  | 1.53  | 0.02  | <b>1.60</b>   | -  | -         | (0.49)           | (0.54)               | <b>(1.03)</b>                | <b>9.34</b>                         |
|             | Dec 2018 | <b>10.82</b>                                       | 0.32   | (0.33)  | 0.50  | (1.01)  | <b>(0.52)</b>   | -  | -         | (0.14)           | (0.74)               | <b>(0.88)</b>                | <b>9.23</b>                         |
|             | Dec 2017 | <b>11.16</b>                                       | 0.29   | (0.21)  | 0.14  | 0.38  | <b>0.60</b>   | -  | -         | -                | (0.90)               | <b>(0.90)</b>                | <b>10.82</b>                        |
|             | Dec 2016 | <b>11.23</b>                                       | 0.28   | (0.21)  | 0.32  | 0.62  | <b>1.01</b>   | -  | -         | (0.22)           | (0.68)               | <b>(0.90)</b>                | <b>11.16</b>                        |
| <b>F</b>    | Dec 2015 | <b>10.66</b>                                       | 0.31   | (0.21)  | 0.28  | 0.79  | <b>1.17</b>   | (0.12)   | -         | (0.09)           | (0.45)               | <b>(0.66)</b>                | <b>11.23</b>                        |
|             | Jun 2020 | <b>10.00</b>                                       | -  | -   | -   | -   | -   | -  | -         | -                | -                    | -                            | <b>10.00</b>                        |
| <b>O†</b>   | Dec 2019 | <b>10.00</b>                                       | -  | -   | -   | -   | -   | -  | -         | -                | -                    | -                            | <b>10.00</b>                        |
|             | Jun 2020 | <b>10.71</b>                                       | 0.18   | (0.28)  | 0.30  | (0.79)  | <b>(0.59)</b>   | -  | -         | -                | (0.27)               | <b>(0.27)</b>                | <b>9.85</b>                         |
| <b>T5A†</b> | Dec 2019 | <b>10.00</b>                                       | 0.15   | (0.18)  | 1.49  | (0.39)  | <b>1.07</b>   | -  | -         | (0.54)           | (0.08)               | <b>(0.62)</b>                | <b>10.71</b>                        |
|             | Jun 2020 | <b>10.00</b>                                       | -  | -   | -   | -   | -   | -  | -         | -                | -                    | -                            | <b>10.00</b>                        |
| <b>T5F†</b> | Dec 2019 | <b>10.00</b>                                       | -  | -   | -   | -   | -   | -  | -         | -                | -                    | -                            | <b>10.00</b>                        |

†Series was seeded on August 1, 2019 at \$10.00.

#### Explanatory Notes:

1. This information is derived from the Fund's unaudited interim financial report and annual audited financial statements.
2. Net assets and dividends are based on the actual number of securities outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of securities outstanding over the financial period. It is not intended that the Fund's net asset per security table act as a continuity of opening and closing net assets per security.
3. Dividends were paid in cash and/or reinvested in additional securities of the Fund.

# STONE AMERICAN DIVIDEND GROWTH FUND

## FINANCIAL HIGHLIGHTS (continued)

### RATIOS AND SUPPLEMENTAL DATA

| Series | As at    | Total net asset value (\$000's) <sup>1</sup> | Number of securities outstanding <sup>1</sup> | Management expense ratio ("MER") (%) <sup>2</sup> | MER before waivers or absorptions (%) <sup>2</sup> | Trading expense ratio (%) <sup>3</sup> | Portfolio turnover rate (%) <sup>4</sup> | Net asset value per security (\$) |
|--------|----------|--|---|---|--|--|--|-----------------------------------|
|        | Jun 2020 | 3,026  | 362,027                                       | 4.36  | 4.62   | 0.08                                   | 11                                       | 8.36                              |
|        | Dec 2019 | 4,432  | 501,105                                       | 3.32  | 3.32   | 0.13                                   | 59                                       | 8.84                              |
|        | Dec 2018 | 14,534                                       | 1,670,842                                     | 3.62  | 3.62   | 0.04                                   | 25                                       | 8.70                              |
|        | Dec 2017 | 24,404                                       | 2,353,073                                     | 2.70  | 3.24   | 0.03                                   | 19                                       | 10.37                             |
|        | Dec 2016 | 29,729                                       | 2,742,159                                     | 2.78  | 3.70   | 0.12                                   | 16                                       | 10.84                             |
| A      | Dec 2015 | 4,366  | 395,139                                       | 2.63  | 5.59   | 0.09                                   | 23                                       | 11.05                             |
|        | Jun 2020 | 698  | 78,605  | 3.18  | 3.44   | 0.08                                   | 11                                       | 8.88                              |
|        | Dec 2019 | 790  | 84,535  | 2.19  | 2.19   | 0.13                                   | 59                                       | 9.34                              |
|        | Dec 2018 | 383  | 41,467  | 2.47  | 2.47   | 0.04                                   | 25                                       | 9.23                              |
|        | Dec 2017 | 583  | 53,896  | 1.67  | 2.01   | 0.03                                   | 19                                       | 10.82                             |
|        | Dec 2016 | 622  | 55,676  | 1.64  | 2.19   | 0.12                                   | 16                                       | 11.16                             |
| F      | Dec 2015 | 365  | 32,514  | 1.58  | 3.36   | 0.09                                   | 23                                       | 11.23                             |
|        | Jun 2020 | -  | 1   | -   | -  | -                                      | -  | 10.00                             |
| O†     | Dec 2019 | -  | 1   | -   | -  | -                                      | -  | 10.00                             |
|        | Jun 2020 | 1,464  | 148,618                                       | 4.38  | 4.64   | 0.08                                   | 11                                       | 9.85                              |
| T5A†   | Dec 2019 | 1,715  | 160,078                                       | 3.31  | 3.31   | 0.13                                   | 59                                       | 10.71                             |
|        | Jun 2020 | -  | 1   | -   | -  | -                                      | -  | 10.00                             |
| T5F†   | Dec 2019 | -  | 1   | -   | -  | -                                      | -  | 10.00                             |

† Series opened on August 1, 2019.

#### Explanatory Notes:

- This information is provided as at each period shown.
- Management expense ratio ("MER") for each series is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the period.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

# STONE AMERICAN DIVIDEND GROWTH FUND

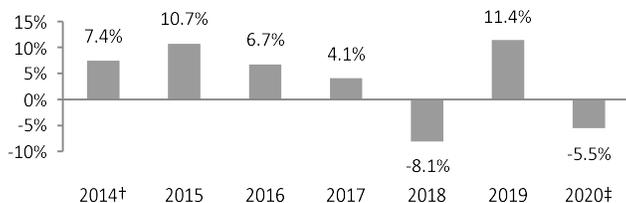
## PAST PERFORMANCE

### YEAR-BY-YEAR RETURNS

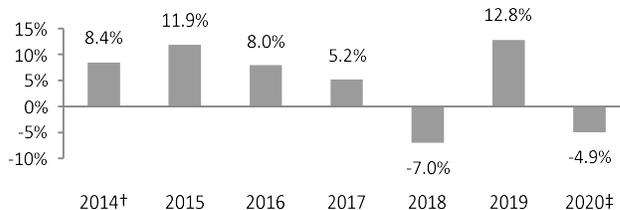
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or performance. Past performance of the Fund is not necessarily indicative of how it will perform in the future.

The following charts present the Fund's performance for each of the periods shown and illustrate how the Fund's performance varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted. Returns are not disclosed for series of the Fund that have been in existence for less than one year.

Series A



Series F



† From inception to December 31 of that year.

‡ For the six month period ended June 30, 2020.

# STONE AMERICAN DIVIDEND GROWTH FUND

## SUMMARY OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2020

| TOP 25 HOLDINGS                             |                            | PORTFOLIO COMPOSITION                                      |      |
|---|----------------------------|--|------|
| Name of Security                            | % of Total Net Asset Value | Sector Allocation (%)                                      |      |
| Microsoft Corp.                             | 3.8                        | Basic Materials  | 9.4  |
| Apple Inc.                                  | 3.3                        | Consumer Cyclical  | 8.2  |
| Applied Materials Inc.                      | 3.0                        | Consumer Non-Cyclical                                      | 7.4  |
| BlackRock Inc.                              | 2.9                        | Financials   | 13.7 |
| Costco Wholesale Corp.                      | 2.9                        | Healthcare   | 12.4 |
| Walmart Inc.                                | 2.9                        | Industrials  | 12.7 |
| Raytheon Technologies Corp.                 | 2.8                        | Technology   | 23.4 |
| QUALCOMM Inc.                               | 2.8                        | Miscellaneous†   | 5.2  |
| KLA Corp.                                   | 2.8                        | Purchased options  | -    |
| Ecolab Inc.                                 | 2.8                        | Written options  | -    |
| Home Depot Inc.                             | 2.8                        | Other net assets (liabilities)                             | 7.2  |
| Fidelity National Information Services Inc. | 2.7                        | Cash & cash equivalents                                    | 0.4  |
| Abbott Laboratories                         | 2.7                        | <b>Industry Allocation (%)</b>                             |      |
| AbbVie Inc.                                 | 2.7                        | Aerospace & Defense  | 2.8  |
| Oracle Corp.                                | 2.6                        | Banks  | 3.6  |
| Visa Inc., Class 'A'                        | 2.6                        | Broadcasting   | 2.5  |
| Verizon Communications Inc.                 | 2.5                        | Communications & Networking                                | 2.5  |
| Cisco Systems Inc.                          | 2.5                        | Courier, Postal, Air Freight & Land-based Logistics        | 2.2  |
| Stryker Corp.                               | 2.5                        | Discount Stores  | 2.9  |
| Walt Disney Co.                             | 2.5                        | Electric Utilities   | 2.4  |
| ABB Ltd., ADR                               | 2.4                        | Financial & Commodity Market Operators & Service Providers | 2.7  |
| Wheaton Precious Metals Corp.               | 2.4                        | Food Processing  | 2.3  |
| AES Corp.                                   | 2.4                        | Food Retail & Distribution                                 | 2.9  |
| Merck & Co. Inc.                            | 2.4                        | Gold   | 6.6  |
| Allstate Corp.                              | 2.4                        | Heavy Electrical Equipment                                 | 3.0  |
|   | <b>68.1</b>                | Home Improvement Products & Services Retailers             | 2.8  |
|   |                            | Industrial Conglomerates                                   | 4.3  |
|   |                            | Integrated Telecommunications Services                     | 2.5  |
|   |                            | Investment Management & Fund Operators                     | 5.0  |
|   |                            | Medical Equipment, Supplies & Distribution                 | 5.2  |
|   |                            | Non-Alcoholic Beverages                                    | 2.2  |
|   |                            | Online Services  | 2.6  |
|   |                            | Pharmaceuticals  | 7.1  |
|   |                            | Phones & Handheld Devices                                  | 3.3  |
|   |                            | Property & Casualty Insurance                              | 2.4  |
|   |                            | Semiconductor Equipment & Testing                          | 5.8  |
|   |                            | Semiconductors   | 2.8  |
|   |                            | Software   | 6.5  |
|   |                            | Specialty Chemicals  | 2.8  |
|   |                            | Miscellaneous†   | 0.7  |
|   |                            | Purchased options  | -    |
|   |                            | Written options  | -    |
|   |                            | Other net assets (liabilities)                             | 7.2  |
|   |                            | Cash & cash equivalents                                    | 0.4  |

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from the Manager at [www.stoneco.com](http://www.stoneco.com).

†Note: Sectors and Industries representing less than 5% and 2%, respectively, of the portfolio are included in "Miscellaneous".

## NOTES

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# STONE AMERICAN DIVIDEND GROWTH FUND

## Interim Management Report of Fund Performance

June 30, 2020

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to: market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.



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